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Affordable Housing

The Suburban Solution

By ANDREW RICE

Bernie Tetreault was driving along Good Hope Road, past the Baptist churches and check-cashing storefronts that populate Washington's poorest neighborhood, when a dented green street sign caught his eye. It marked the way to the Frederick Douglass Dwellings, a place that no longer existed. "Yeah, those are gone," he said. "That's Henson Ridge." Tetreault, 67, an adviser to the District of Columbia Housing Authority, has the clipped demeanor of a city manager, which he once was; in those few words, he had summed up the death and revival of an entire community. Where the Frederick Douglass public-housing project once stood — violent, run-down, rat-infested — the city government was erecting Henson Ridge: several hundred new homes, painted in shades of cream and taupe.

Tetreault was driving there, in his late-model black convertible, to show me his vision of the future of public housing. An accomplished creator of homes for the poor — he spent most of his career in leafy Montgomery County, Md., where he helped devise and run some of the country's most admired housing programs — he left retirement a decade ago to come to D.C., where the task has been, quite literally, destruction. Since 1996, nearly $800 million has been spent to level some of D.C.'s most notorious housing projects and resurrect them as mixed-income communities, an effort Tetreault has spearheaded.

Henson Ridge was still a work in progress. As we drove into the development, backhoes were excavating a vast fenced-in field where apartment blocks once stood. "Fred Douglass was war housing that was built for the workers" during the 1940's, Tetreault told me. "Then they sold it to the housing authority. It was terrible. Oh, man, it was terrible." By the late 1990's, when the project was finally shut down, the median income was just $7,765, more than 80 percent of residents had no jobs and the biggest local employer was probably the "1-5 Mob," a notorious crack-dealing gang.

Such projects — the kind of dystopian superblocks that inspired crime dramas like "New Jack City" and "The Wire" — were never representative of America's low-income housing; they amounted to perhaps 100,000 of the federal government's stock of about five million units. But they were meaningful symbols, crumbling rebukes to the ideal, pronounced in the landmark Housing Act of 1949, that the federal government should provide "a decent home and suitable living environment for every American family." Their demise only underscores that the days of such aspirations are gone. The Frederick Douglass projects were demolished by bulldozers and front-end loaders; the federal government's commitment to shelter its poor has been dismantled slowly, quietly, brick by brick. Richard Nixon moved federal policy toward issuing vouchers instead of building new housing. Ronald Reagan gutted HUD's construction budget and narrowed its mission. Since then, the cuts have kept coming. From 1976 to 2000, subsidized housing's share of new federal spending fell 80 percent, according to Michael A. Stegman, a former HUD official, now at the University of North Carolina. "This year, there is virtually no new housing production," he says. Meanwhile, as housing-subsidy agreements expire, about 1,000 apartments a month leave the federal housing rolls.

The need for affordable housing, however, will always be with us. If anything, the problem is growing in many American cities and their older suburbs, as a perverse side effect of the last decade's urban economic resurgence. As big-city real-estate prices continue to inflate, and the affluent move into neighborhoods that once defined urban decline — like Harlem in New York, the Mission District in San Francisco or Logan Circle in Washington — the poor, and even the working class, are having a harder time finding places to live. Local governments are struggling to fill the federal void as best they can, with an uneven patchwork of initiatives. Reagan ran for president in 1980 on the notion that the common good would be best served if the federal government scaled back its sweeping ambitions and left the thinking to the locals. Though advocates for the poor would be loath to admit it, that's exactly what has happened. They are living in the world Reaganism created, making the best of it by devising market-oriented, grass roots solutions. "Increasingly, the creativity, the ingenuity, the political will is stronger at the state and local level than at the federal," says Conrad Egan, president of the National Housing Conference, a group that advocates for more low-income assistance.

As decision-making authority is pushed closer to the ground, housing officials are thinking more like landowners. The new goal is to create mixed-income communities indistinguishable from those built by private real-estate developers. Taking the market ethic one step further, some programs shift the burden of providing housing for the poor from the government to private developers themselves, most often by giving zoning bonuses to builders — allowing them to build more profitably per acre — in return for setting aside affordably-priced units in their developments. The shift in outlook is reflected in changing language: "public" housing has become "affordable" or "work force" housing; "projects" are now "developments"; "tenants" have become "stakeholders" or "homeowners," because many of the new public houses are for sale.

Tetreault turned left up a street within Henson Ridge. Before us stood a row of new town houses. Outside one, a man was washing his S.U.V. A child was playing with a remote-controlled car along the sidewalk. On the way over, Tetreault had told me, "What you want to do is set the mix so that the 'feel'"— he took his hands off the steering wheel to make little quotes in the air — "is market rate." By that, he meant middle class: about a third of the 320 houses for sale at Henson Ridge will be reserved for former public-housing tenants The rest will be sold at market rates, though the city will help people with lower incomes get mortgage subsidies. There will also be 280 rental units, offered at prices for a range of incomes. The idea is to reproduce the daily interplay among social classes that is said, perhaps apocryphally, to have once thrived in cities.

Tetreault, like many urban theorists, says that the old policy of concentrating the poor in housing projects failed because it undermined the social structures — family, workplace, neighborhood — that created something called a community. The price of building a mixed-income development at Henson Ridge, sacrificing a few hundred units from the city's depleted stock of public housing, is one Tetreault says he felt the city had to pay, even if it meant that a large fraction of those people whom Frederick Douglass once served, however poorly, ended up getting lost. "It won't feel market rate if you've got too many very low-income families," he said. "You try to stretch that as far as you can, but don't push it too far."

If the "feel" of Henson Ridge, from its sylvan name to its muted colors to its gently curving streets, evokes nothing so much as the suburbs, that is no accident. A decade that has witnessed the miraculous resurrection of many cities has also seen a remarkable reversal in housing policy. Not long ago, America's suburbs were widely considered a wasteland for progressive policies. These days, ideas are migrating backward, as urban-housing advocates look for inspiration in places like Longmont, Colo., and Chula Vista, Calif. The solutions suburbs have developed are widely divergent, as you would expect, but they tend to have at least one thing in common: instead of relying on expensive and unpopular public subsidies, they seek to harness the power of the rising real-estate market.

In this regard, Bernie Tetreault's career is emblematic. He ran the housing authority in Montgomery County for almost a quarter-century. At the time he took the job, in the early 70's, the county faced a challenge similar to the one many cities are encountering today. Development was booming as white-collar workers flooded in. Housing prices were rising spectacularly. Teachers, police officers and other working-class people were finding it difficult to stay. During Tetreault's tenure, the county began devising its own approaches, eventually becoming to affordable-housing policy what Palo Alto is to the technology industry: an incubator of new ideas.

Tetreault, a compact man with close-shorn gray hair, dresses like a lobbyist and speaks like a banker. Where other housing advocates tend to wax utopian, he grounds his conversations in hard numbers and terse sentences. In his spare time, he now promotes Montgomery County-style programs through the Innovative Housing Institute, which he founded.

Montgomery County was, in many ways, a perfect place to experiment. It possessed in abundance the two things that housing advocates crave: money and political will. The county, which is populated by many government workers, has a long tradition of promoting liberal social programs, and its most famous innovation wasn't even Tetreault's idea: it was a product of popular demand In the early 70's, a group of Democrats took control of the county council after a campaign in which they promised to tackle the local housing crisis. They argued that if the federal government wouldn't help, the county could force developers to. They changed the local zoning ordinance so that anyone building a large new development had to set aside 15 percent of the units for buyers or renters with low and moderate incomes. In return, they promised that the builders could construct more homes on the same amount of property. The county could also buy one-third of the units produced under the set-aside program to rent to the truly indigent. Despite the inducements, most builders opposed the program, saying that it would retard development and invite a bad element to the county. Epithets like "radical" and "European" were thrown around. The council had to override the county executive's veto.

The "inclusionary zoning" program, as it is known, became the centerpiece of a package of widely imitated initiatives, like a "housing trust fund" financed by property taxes and programs that offered mortgage financing and closing-cost assistance to home buyers. With periodic tinkering, the ordinance succeeded in creating roughly 11,000 affordably priced houses and apartments over its first 20 years without noticeably dampening development. Dozens of mixed-income communities came into being at relatively little cost to the county. And there was hardly any of the nasty class warfare that so often accompanies attempts to build low-income housing, even in progressive Montgomery County.

Joyce Siegel, who used to run the local housing authority's public-affairs office, told me that before the ordinance passed, "every time there was a proposal to build public housing, a 50-unit development or something, my husband would say I was going to a lynching. People went crazy. They were so opposed to it because of their property values." But afterward, "there was never a peep," she says. "Never a public peep. No more public hearings, no more screaming, no more lynchings. It was the law, and everybody knew it was fair across the board."

Over time, Montgomery County's radical idea has become an accepted, even trendy, practice throughout the country. David Rusk, a former mayor of Albuquerque and a tireless promoter of inclusionary zoning, has counted 134 cities, towns and counties around the country that now have such ordinances Several states, including California, Massachusetts and New Jersey, also have laws on the books, though they are enforced spottily. When Tetreault's policy institute and several other organizations sponsored a three-day conference on the subject last fall, it drew more than 200 attendees, representing at least 30 local and state governments as well as many private organizations. They piled into a bus for a daylong tour of model communities around the region, like Carrington in Fairfax County, Va., where a developer has built a pair of four-unit apartment complexes disguised as beige-trimmed McMansions.

Such programs may face a hidden threat. In almost every jurisdiction where such ordinances have been proposed, building-industry groups have opposed them, often complaining that they amount to an unjust "taking" of private property. This argument has yet to be seriously tested in court, but in a study of the set-aside programs, Douglas R. Porter, an expert on urban growth, ominously concludes that "the 'right' to decent and/or affordable housing is a moral assertion more than a legal issue."

Montgomery County's law faced one of its most serious tests in the late 80's, when a local developer, Anthony Natelli, bought a thousand acres of rolling farmland in Potomac and announced plans to build Avenel, a 900-home community set around a golf course. Natelli asked to construct a low-cost apartment building in downtown Bethesda instead of in Avenel. The county recommended against his request, and Natelli relented, building an enclave of 60 small houses that sold for about $90,000 each. Twenty of the homes, in keeping with the county's longstanding policy, were rented to people living below the poverty line; the rest were sold, by lottery, to families with incomes up to $35,000 a year. "I felt strongly that Avenel should have a portion of the units," Tetreault says. "So now you have Mr. Marriott living in Avenel, and you have some moderate-income people living in Avenel, and you have some public-housing residents."

The road to Avenel winds through the hills and old-growth woods of Potomac, past deer-crossing signs and stately stone manors. On a January morning when I drove through, a landscaping crew was tending the lawn outside a Doric-columned home just across the way from Pleasant Gate Lane, the cul-de-sac where the poorer folks live. The street is set in a natural depression and is shielded from the road by tall evergreens. The houses, Cape Cods with brass porch lamps and shutters of varying colors, are modest and set close together. There were covered gas grills in most of the tiny backyards. Mario Wawrzusin still had a Christmas wreath hanging on his door.

Wawrzusin, 46, is a county social worker who paid his way through Catholic University. He is proud of his home and values the fact that his two sons attend one of the state's best public high schools. Most of his neighbors on Pleasant Gate Lane are similarly striving types, many of them immigrants. In the beginning, there was some tension between Pleasant Gate Lane and the larger community Wawrzusin refers to as "across the street." Even before the houses were finished, some anonymous neighbors were complaining to The Washington Post. "There are just concerns about the element of people moving in," one told the paper. Wawrzusin joined the homeowners' board as a representative of the Pleasant Gate Lane residents, and he said that their presence came to be accepted. "I had one of the homeowner advisory board guys go up to my neighborhood," Wawrzusin recalled. "He said to me: 'You know, Mario, you're the one who lives in a normal house. Our house is really odd.' That kind of was a nice thing."

Thomas Natelli is the 45-year-old son of Anthony Natelli, who died in 2004. Thomas is now the C.E.O. of the family's development firm and is himself an Avenel resident. "Time is always the test of these things," he says. Despite the initial fears of Avenel homeowners, the presence of less-affluent people along Pleasant Gate Lane does not seem to have adversely affected resale prices, which squares with the findings of studies conducted by housing advocates. The average asking price for a house at Avenel is now $2 million, and one was recently on the market for three times that amount. Developers, happily or not, have come to accept the set-aside program as part of doing business. "It is part of the fabric of the development process in the county," Natelli says.

There are housing advocates who are skeptical of programs like Montgomery County's. They say that because developers don't sell to anyone poorer than they have to, the main beneficiaries are families that just make the qualifying threshold of 65 percent of the region's median income, or about $55,000 for a family of four. The truly needy are much poorer than that, and critics say that private-sector solutions don't help them much. And the poor are increasingly plentiful in the suburbs: when Montgomery County recently opened its waiting list for the federal housing-voucher program, 10,000 families signed up in five days. "It's one program that has a lot of very good aspects, but it doesn't solve everything," says Elizabeth Davison, director of the county's Department of Housing and Community Affairs.

Advocates of the set-aside program, however, say that it fills a vital need, because by assisting people like Wawrzusin — in need of some help but not desperately poor — it frees up scant public-housing resources for those who need them most. But, as so often in public-policy debates, a program that works splendidly for a few also raises basic questions about fairness for all. The lucky families who won the Avenel lottery are no longer poor. They have grown older, established themselves, earned promotions. More to the point, they own valuable assets: their homes. Until recently, Montgomery County's law was written so that price controls on the affordable units expired after 10 years, at which point residents were free to sell their homes at market rates and split the proceeds with the county. At Avenel, asking prices for the houses on Pleasant Gate Lane now run well over $500,000.

Wawrzusin and his wife have watched several of their neighbors sell their houses for big profits, and somewhat abashedly, he admits that they sometimes talk about cashing in themselves. He has thought about retiring to upstate New York. "My kids are in a good school, so I'm not going anywhere," Wawrzusin said. "Once they're out of school, I'll most certainly think about going somewhere. We'll see."

"You'd be amazed at what they did on Eighth Street here," Tetreault said as we drove past the grounds of the Washington Navy Yard in the city's Southeast section. He showed me a vacant lot that was once a housing project (slated to come back as a mixed-income residential and office development), pointed out the probable location of the new Washington Nationals baseball stadium and hung a left. We drove up a street of refurbished brick storefronts, passing a bike shop, a Blockbuster and the home of the Shakespeare Theater Company. A few elderly black men sat on one street corner, shooting the breeze, but most of the faces on the street were white.

Tetreault came to D.C. in 1995, at a time when the city was mired in bankruptcy. He was looking for a new challenge to burnish his legacy. His tenure in Montgomery County had ended badly. Clashes with new political appointees to the housing authority's board culminated in his firing. Tetreault's detractors had complained that he was imperious and wouldn't take orders; when, several years after his departure, HUD placed the county's federal housing-voucher program on probation for various administrative lapses, some blamed him for neglecting details. (Tetreault says the problems arose after he left.) D.C.'s housing officials, however, desperately needed ideas. They hired Tetreault as a kind of thinker in residence. The job required a reversal: instead of finding a place for the poor in one of the country's richest counties, Tetreault would be coaxing the middle class into onetime ghettos. Either way, he figured, it was integration.

Then something unexpected happened: Washington's housing market turned around. Between 2000 and 2005, housing prices rose 119 percent, and names that once struck fear into middle-class hearts — U Street, Columbia Heights, Eastern Market — have become the stuff of cocktail-party chatter. While that made it easier to revive blighted neighborhoods, there are now fewer places for the poor to live. All of which has caused elected officials to start thinking seriously about how to create affordable housing.

It was long thought that urban real-estate markets couldn't grow fast enough to produce an appreciable number of affordable units through set-aside programs, but a decade of rising towers and skyrocketing prices has made many city governments think again. Boston and San Francisco, which have had set-aside programs for more than a decade, have recently beefed them up. San Diego and Denver enacted new ordinances in the last few years, and last summer New York passed a limited zoning change along the Brooklyn waterfront, where developers are eager to erect residential buildings on derelict industrial sites. Other cities, including Chicago, Los Angeles and Atlanta, are currently debating similar plans.

"It's almost a desperation response," says Bruce Katz, a former Clinton-administration official and the director of the Metropolitan Policy Program at the Brookings Institution. "The affordability issue in housing is worsening in the United States in many otherwise prosperous metros, because we're seeing widening gaps between wages and prices." On average, nationwide, it takes a $15-an-hour job to rent a decent two-bedroom apartment; the Center for Housing Policy estimates that about five million working families are in serious need, a 67 percent increase since 1997. Rising prices have forced poor and working-class people to crowd into already distressed neighborhoods or to migrate to decaying inner-ring suburbs.

This is particularly true in Washington, where it now takes a household income of more than $85,000 to buy the average house. For the poor, most federal housing assistance comes in the form of HUD vouchers, but the program's budget keeps getting squeezed, and the district now has a waiting list that's 47,500 names long. Half of those who do receive vouchers still can't find housing; some landlords, eager to capitalize on gentrification, are now refusing to accept them.

In response, about three years ago, a group of housing advocates began pushing the idea of a Montgomery County-style set-aside program in the district. After many delays, the local zoning board issued a draft ordinance last month. A vote is scheduled for later this spring. Developers, real-estate agents and leaders of the construction industry have fought the proposal. They argue that an idea that works in the suburbs won't necessarily translate to the city because the economics of building high-rises make adding an extra floor or two prohibitively expensive. And because Washington has an inviolable restriction on height — nothing can be more than 20 feet taller than the width of the street it faces — density bonuses may not provide much incentive.

There may be a more serious problem, though, when it comes to the set-aside programs. In 2003, an independent report found that the district's affordable-housing shortage stood at 24,000 units, six times as large as it was in 1990. In the advocates' best estimates, changing the zoning ordinance will create fewer than 1,000 apartments a year. These projections, mind you, are based on the number of buildings that were in development between 2000 and 2003, in the midst of a once-in-a-generation growth spurt. So what goes up when the market declines?

Not much. "You have to have a booming real-estate market to make it work," Douglas Porter, the housing expert, says. When the economy slows, and people are presumably more in need, the set-aside programs stop working. In fact, one place now facing the problem of slowing growth is Montgomery County. Its developable land is dwindling, even as it is losing many of the houses built under its zoning ordinance because the 10-year waiting periods for reselling them are expiring. Of the 11,000 units of affordable housing created under the set-aside program, only about 3,000 remained under price controls in 2003. Local officials say the number of new units created has slowed to a trickle.

When presented with such numbers, advocates of these programs tend to adopt a fallback position: they justify them not on the grounds of how much housing they'll provide but rather on the kind of society they may conjure. Forcing developers to include a few affordable apartments in their buildings may not solve the present crisis, but it makes a symbolic statement that there's still a place for the poor — or at least the working class — in America's changing cities. The truth is, though the new-generation housing policies are creations of necessity, their logic is as much moral as economic. The mixed-income communities that are coming into being, whether created by a zoning ordinance or built the old-fashioned way, are not just places to live. They're political statements in bricks and mortar, speaking out in favor of hard work, family stability and homeownership. Ronald Reagan would be proud.

Yet such cherished values go only so far. In the end, poor people still need a place to sleep. Nearly every expert agrees that hitching housing policy to the private market is an unpredictable and imperfect solution. At some point, government has to spend. As we drove through the streets of Southeast Washington, I asked Tetreault if he thought ambitious low-income developments like Henson Ridge — which was, after all, partly financed by HUD — could ever be produced without the help of the federal government. He told me that the city's own housing trust fund, established in 2002 and financed by real-estate-transfer taxes, had lately swelled to $40 million. "But it's really only because of the really hot real-estate market we have in the city," he said. "You can't count on that. "

We passed a construction site along Pennsylvania Avenue, where massive cranes were at work on Thornton Row, a new luxury-condominium complex. Tetreault said its developer had expressed interest in buying a nearby public-housing project and knocking it down. "That's why I have stayed and continue to work in the District of Columbia, because I see a lot of gentrification taking place," he said. "It's going to come to Southeast, and what I want to do is make sure those families are housed before the gentrification gets down here. That sounds a little bit idealistic, but anyway.. . ." His voice trailed off.

Then he snapped back to the concrete world. "Look at this," he said as we drove along a row of classic brick town houses with peaked roofs, bay windows and dormers. "This is where 45 units of public housing used to be. If I didn't stop you, you wouldn't know." A few years before, he said, the city tore down a housing project, "a concrete bunker," that stood on this block. "So what did we get?" Tetreault continued. "We got 38 units where 45 were, so we lost 7 units. But, I mean, those 38 fit into that neighborhood." And he was right: it looked like a lovely block to live on, at least for the lucky fraction of public-housing residents who were able to get in. For those left out, Tetreault said, there are housing vouchers. But there are no more guarantees.